

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-05 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /142 W
-----024739 312000Z /40

R 311629Z OCT 77

FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 3878
INFO AMEMBASSY PARIS
USMISSION GENEVA
AMEMBASSY BONN
AMEMBASSY BERN

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USOECD

USMTN

EO 11652: N/A

TAGS: ETRD, AU

SUBJ: GOA MOVES TO CONTROL IMPORTS

1. BEGIN UNCLASSIFIED. SUMMARY. FACED WITH A CONTINUALLY GROWING TRADE DEFICIT AND THE THREAT (PART REAL, PART PERCEIVED) OF INCREASING PROTECTIONISM IN FOREIGN MARKETS, THE GOA HAS BEGUN TO MOVE TO CONTROL IMPORTS. FIRST STEP (EFFECTIVE NOVEMBER 1) RESCINDS A NUMBER OF UNILATERAL DUTY REDUCTIONS IN EFFECT SINCE THE 1960S COVERING PRINCIPALLY AGRICULTURAL PRODUCTS, TEXTILES AND OTHER CONSUMER ITEMS. ADDITIONAL MEASURES DESIGNED TO OFFSET "UNFAIR FOREIGN COMPETITION AND SUBJECT IMPORTS MORE RIGIDLY TO VARIOUS STANDARDS
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APPLIED TO DOMESTIC GOODS ALSO ARE IN THE WORKS. THE AUSTERITY PROGRAM PRESENTLY MOVING THROUGH THE PARLIAMENT WOULD IMPOSE AN ADDITIONAL 12PERCENTHTAX ON DOMESTIC AND IMPORTED "LUXURY GOODS" AS OF JANUARY 1, 1978. LARGEST IMPACT OF MEASURES PRESENTLY DECIDED SHOULD FALL ON FAR EASTERN AND EAST EUROPEAN SUPPLIERS. IN BOTH PUBLIC STATEMENTS AND PRIVATE

CONVERSATIONS GOA OFFICIALS HAVE STRESSED INTENTION TO ABIDE BY GATT AND OTHER INTERNATIONAL OBLIGATIONS IN ANY ACTIONS TAKEN. END SUMMARY.

2. IN 20 MONTHS SINCE DECEMBER 1975 FOR WHICH STATISTICS ARE AVAILABLE AUSTRIA HAS HAD A CUMULATIVE TRADE DEFICIT OF AS 100.3 BILLION (CA. \$6.2 BILLION), OF WHICH AS 46.3 BILLION (\$2.9 BILLION) HAS OCCURRED IN THE CURRENT YEAR. ALTHOUGH THE CURRENT ACCOUNT HAS FARED SOMEWHAT BETTER DUE PRIMARILY TO TOURIST RECEIPTS, FOREIGN EXCHANGE RESERVES HAVE DECREASED BY AS 26.6 BILLION (\$1.6 BILLION) OVER THE SAME PERIOD. WHILE EXPORT PERFORMANCE HAS BEEN GOOD (PLUS 12.8PERCENT), EVEN IN TERMS OF HISTORICAL PERFORMANCE, IT HAS NOT BEEN ABLE TO MATCH THE 21PERCENT GROWTH IN IMPORTS.

3. THE CONTINUATION OF THIS TREND (WHICH WAS THOUGHT LAST YEAR TO BE ONLY SHORT-TERM CYCLICAL) HAS STIMULATED BOTH GREATER SUPPORT FOR SOME UNPOPULAR DOMESTIC BELT-TIGHTENING, AND A MORE SERIOUS EFFORT THAN EARLIER TO RESTRUCTURE AUSTRIAN INDUSTRY, WHICH IN CERTAIN SECTORS HAS FAILED TO KEEP PACE WITH THE MORE RAPID GROWTH OF CONSUMER AFFLUENCE. IT ALSO HAS LED TO PRESSURES FROM MANY DIRECTIONS TO TAKE MORE IMMEDIATE AND DIRECT MEASURES TO CONTROL IMPORTS. THESE DOMESTIC PRESSURES HAVE BEEN AUGMENTED BY WHAT LIMITED OFFICIAL USE

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AUSTRIANS BELIEVE TO BE INCREASING PROTECTIONISM IN THEIR EXPORT MARKETS--E.G. THE UNWILLINGNESS OF THE FRG TO TAKE EFFECTIVE MEASURES TO REDUCE ITS VERY LARGE BILATERAL TRADE SURPLUS; THE STRICT APPLICATION OF US ANTI-DUMPING LEGISLATION.

4. THE FIRST STEP, WHICH WILL TAKE EFFECT NOVEMBER 1, RESCINDS A NUMBER OF DUTY REDUCTIONS MADE UNILATERALLY BY THE GOA ROUGHLY A DECADE AGO TO REDUCE INFLATIONARY PRESSURES, ETC. THE PRODUCTS AFFECTED INCLUDE FRUITS AND VEGETABLES, CLOTHING, TV SETS AND RADIOS, SOME PLASTIC PRODUCTS, CERTAIN COSMETICS, CAMERAS, ELECTRIC HOUSEHOLD APPLIANCES, ALUMINUM HOUSEHOLD ARTICLES, MOTOR CYCLES, AUTOMOBILE TIRES, GLASSWARE, PHONOGRAPH RECORDS AND LEATHER SHOES. IN ANNOUNCING THE MEASURE THE FINANCE MINISTER STRESSED THAT IN NO CASE WOULD THE NEW DUTIES EXCEED LEVELS BOUND IN GATT. THE MEASURE IS EXPECTED TO YIELD ABOUT AS 200 MILLION (CA \$12.4 MILLION IN ADDITIONAL REVENUES).

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5. IN ADDITION, THE GOA HAS UNDER STUDY A VARIETY
OF OTHER MEASURES THAT WOULD TIGHTEN CONTROLS ON
IMPORTS. ONE GROUP OF MEASURES WOULD STRENGTHEN
CONFORMITY WITH AUSTRIAN FOOD AND DRUG REQUIREMENTS--
IN PARTICULAR, REGULATIONS ON PRESERVATIVES AND
PESTICIDE RESIDUES, AND QUALITY STANDARDS FOR SEEDS.
OTHER MEASURES WOULD ENSURE COMPLIANCE WITH LOCAL
LABELLING STANDARDS, FOR EXAMPLE, FOR TEXTILES AND
BUILDING MATERIALS. CLOSER APPLICATION OF SAFETY
STANDARDS FOR ELECTRICAL IMPLEMENTS AND BUILDING
MATERIALS ALSO ARE UNDER STUDY. THE FINANCE
MINISTRY IS DEVELOPING PROCEDURES THAT WOULD IMPOSE
STRICTER CONTROLS ON CERTIFICATES OF ORIGIN, AND THE
TRADE MINISTRY IS STUDYING A PROPOSAL BY THE
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FEDERAL CHAMBER OF COMMERCE THAT WOULD EXTEND THE
AUTOMATIC LICENSING SYSTEM RECENTLY APPLIED TO

TEXTILES (SEE VIENNA A-325 OF JULY 20, 1977) TO IMPORTED STEEL. A STRICTER ANTI-DUMPING LAW THAT WOULD PERMIT WITHHOLDING APPRAISEMENT PENDING INVESTIGATION, " A LA USA", ALSO HAS BEEN URGED.

6. THE INCREASED TAX ON DOMESTICALLY PRODUCED AND IMPORTED LUXURY PRODUCTS (REPORTED VIENNA 9205), WHICH IS PART OF THE AUSTERITY PACKAGE SCHEDULED TO ENTER INTO FORCE ON JANUARY 1, WAS RECENTLY APPROVED IN COMMITTEE AND NOW APPEARS CERTAIN TO GAIN PARLIAMENTARY APPROVAL. LUXURIES PRESENTLY ARE DEFINED TO INCLUDE PASSENGER CARS, AIRPLANES, MOTOR BOATS, CAMERAS, AND PHOTO EQUIPMENT, HOME ENTERTAINMENT EQUIPMENT, JEWELRY, CARPETS AND FURS, BUT THERE MAY BE SOME CHANGES PRIOR TO ENACTMENT. END UNCLASSIFIED.

7. BEGIN LIMITED OFFICIAL USE. ALTHOUGH WZ HAVE NOT COMPLETED OUR ANALYSIS, THE HIGHER DUTIES SCHEDULED TO TAKE EFFECT THIS WEEK (I.E. AS EARLIER UNILATERAL REDUCTIONS ARE RESCINDED) APPEAR TO AFFECT PRINCIPALLY IMPORTS FROM EASTERN EUROPE AND THE FAR EAST. SINCE THE OTHER MEASURES ARE STILL UNDER CONSIDERATION--EITHER IN PARLIAMENT OR THE MINISTRIES--AND CHANGES ARE EXPECTED, IT IS TOO EARLY TO ESTIMATE EFFECTS. IT IS CERTAIN, HOWEVER, THAT CERTAIN DOMESTIC STANDARDS AND REGULATIONS WILL BE APPLIED MORE RIGOROUSLY TO IMPORTS AND THAT MANY OF THE LUXURY ITEMS TO WHICH THE NEW HIGHER TAXES WILL APPLY WILL BE THE HIGH-QUALITY IMPORTS WHICH INCREASINGLY AFFLUENT AUSTRIANS HAVE FOUND LIMITED OFFICIAL USE

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SO ATTRACTIVE. EXTENSION OF AUTOMATIC LICENSING TO STEEL IMPORTS IS ENCOUNTERING MORE OPPOSITION LOCALLY, (FOR FEAR OF RETALIATION IN THIS IMPORT AND SENSITIVE SECTOR), BUT CAN NOT BE RULED OUT. IN ALL PUBLIC ANNOUNCEMENTS AND PRIVATE CONVERSATIONS GOA OFFICIALS HAVE STRESSED THAT ANY MEASURES TAKEN WILL BE FULLY CONSISTENT WITH GATT AND OTHER INTERNATIONAL OBLIGATIONS. THEIR ARGUMENT FOR NEW IMPORT CONTROLS, IN ESSENCE, IS THAT GIVEN THE CONTINUED FLOOD OF IMPORTS, WHICH IS ADVERSELY AFFECTING CERTAIN AUSTRIAN INDUSTRIES, THE RESPONSIBLE AUTHORITIES COULD NO LONGER STAND BY WHILE OTHER COUNTRIES WERE MOVING TO SHIELD THEIR PRODUCERS FROM "UNFAIR" IMPORT COMPETITION. END LOU.BORG

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